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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MARCH 15, 2001

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE000585

To revise its fuel factor
pursuant to § 56-249.6 of
the Code of Virginia

ORDER ADDRESSING REQUEST FOR HEARING

On November 17, 2000, Virginia Electric and Power Company ("Virginia Power" or "the Company") filed with the State Corporation Commission ("Commission") an application, testimony, and exhibits requesting an increase in its fuel factor from 1.339¢ per kWh to 1.613¢ per kWh effective with usage on and after January 1, 2001.

On December 8, 2000, the Commission issued an Order Establishing 2001 Fuel Factor Proceeding that docketed the matter, required the Company to give notice to the public and local officials of its application, authorized Virginia Power to collect on an interim basis its proposed fuel factor of 1.613¢ for usage on and after January 1, 2001, and set a hearing for March 1, 2001. The Commission also established a January 19, 2001, deadline for persons desiring to participate as Protestants to file with the Clerk of the Commission Notices of

Protest, Protests, and testimony and exhibits to be presented at the hearing.

On February 8, 2001, the Commission issued an Order Granting Motion and Rescheduling Hearing that revised the matter's procedural schedule and rescheduled the deadline for filing Commission Staff testimony for March 19, 2001, the deadline for filing the Company's rebuttal testimony for March 28, 2001, and the evidentiary hearing for April 3, 2001. All other provisions of the Commission's December 8, 2001, Order remained in effect.

Also on February 8, 2001, the Commission received correspondence from John D. Jenkins, Neabsco District Supervisor of the Prince William Board of County Supervisors. This correspondence contained a letter ("Letter") and a Request for Scheduling of Hearing in Prince William County ("Request for Hearing"). The Letter and Request for Hearing expressed opposition to Virginia Power's application, asked that any increase in the fuel factor be postponed pending an investigation into the reasonableness of the proposed increase, and requested a hearing be scheduled in Prince William County. In support of these requests, the Request for Hearing stated that Prince William County residents are affected by the proposed revision and that the Commission should schedule a

hearing in a manner convenient for those having an interest in the matter.

On March 5, 2001, the Commission received a copy of Resolution No. 01-157 from the Prince William Board of County Supervisors objecting to the fuel rate increase and requesting such increase be denied. Attached to the resolution were copies of the Letter and Request for Hearing from Supervisor Jenkins, and similar correspondence from Mary K. Hill, Coles District Supervisor of the Board of County Supervisors of Prince William County.¹

The Commission is mindful of the concerns raised by the correspondence and resolution and recognizes the importance of the fuel factor on rates that Virginia Power's customers must pay. The Commission's Orders issued in this matter address several of these concerns. First, the Commission Staff is required to investigate the reasonableness of Virginia Power's estimated costs and proposed fuel factor and to file public testimony detailing its findings and recommendations. These findings are subject to scrutiny through cross-examination by the Company and persons participating as Protestants in this case.

¹ Supervisor Hill's letter and Request for Scheduling of Hearing in Prince William County were dated February 28, 2001, and addressed to the Clerk of the Commission. This correspondence, however, has not been filed with the Clerk of the Commission.

In addition, the Commission has scheduled a public evidentiary hearing in this matter for April 3, 2001. On that date, the Commission will hear testimony from members of the public, Protestants, Virginia Power, and Commission Staff regarding the issues surrounding the determination of the fuel factor. This hearing is designed to provide the Commission with the information it needs to determine whether the proposed fuel factor is reasonable in light of considerations such as the Company's efforts to minimize fuel costs and the need to maintain reliable sources of fuel supply.

The Commission granted Virginia Power's request for a fuel factor effective date of January 1, 2001. The Commission shares the concern raised by the correspondence and the resolution that Virginia Power's ratepayers not be asked to bear the burden of an overly inflated fuel factor. To prevent such a situation, § 56-249.6 of the Code of Virginia provides the Commission with the authority to continuously review fuel costs, which are subject to true-up for any over- or under-recoveries incurred in previous years. Additionally, if the Commission finds, at any time, that the Company is in an over-recovery position by more than five (5) percent, or is likely to be so, the Commission may reduce the fuel factor to correct for such an over-recovery. Therefore, it is unnecessary to change the fuel factor's effective date at this time.

Finally, in an effort to obtain input from members of the public and Protestants throughout Virginia Power's service territory, the Commission required the Company to publish, on or before December 18, 2000, notice discussing its request for an increase in its fuel factor and providing details for participation in this case. The notice invited persons desiring to participate as Protestants in this matter to file a Notice of Protest and associated filings on or before January 19, 2001. The notice further invited any member of the public desiring to make a statement concerning this case to attend the hearing scheduled for March, 1, 2001.² This hearing took place at the Commission's courtroom in Richmond, a generally centralized location in Virginia Power's service territory. Because the notice has already been published, the hearing for public witnesses held, and the fuel factor is an issue with broad impact throughout Virginia Power's entire service territory, the Commission declines to schedule a hearing in Prince William County at this time.

Accordingly, IT IS ORDERED THAT:

(1) The Request for Hearing in Prince William County hereby is denied.

² The Commission's February 8, 2001, Order rescheduled the evidentiary hearing for April 3, 2001. The hearing scheduled to commence on March 1, 2001 was convened as scheduled for the sole purpose of receiving statements from public witnesses.

(2) The remaining issues in the Letter and Request for Hearing and Resolution No. 01-157 of the Prince William County Board of County Supervisors are moot because the Commission is investigating the application, will hold an evidentiary hearing on April 3, 2001, and will order correction of any incorrect collection resulting from the implementation of the fuel factor effective January 1, 2001.

(3) Individuals on behalf of the Prince William Board of County Supervisors shall have the opportunity to make a statement regarding the fuel factor by appearing in the Commission's second floor Courtroom on April 3, 2001, at 9:45 a.m. and identifying himself or herself as a public witness to the Commission's bailiff.

(4) This matter is continued generally.